

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 /036 W
-----040667 020621Z /12

R 011846Z JUN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9023
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BERLIN
AMEMBASSY BRUSSELS
USMISSION USBERLIN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 10037

BRUSSELS FOR FAA

E.O. 11652: GDS
TAGS: EAIR, WB, GW, FR, UK
SUBJECT: CIVAIR: APPLICANTS FOR BERLIN SAARBRUECKEN
SERVICE

REF: (A) FRANKFURT 3072 (NOTAL), (B) 77 BONN 21124

SUMMARY: THIS TELEGRAM CONTAINS EMBASSY COMMENTS ON THE
CURRENT STATUS OF AIRLINE PROPOSALS TO ESTABLISH
SCHEDULED SERVICE BETWEEN BERLIN AND SAARBRUECKEN. SEP-
TEL SUMMARIZED THESE PROPOSALS. WE CONSIDER THIS SERVICE
MARGINAL IN TERMS OF ECONOMIC VIABILITY AND PASSENGER
DEMAND AND ONE THAT IS NOT IMPORTANT TO USG INTERESTS,
BUT IT COULD BECOME SOMETHING OF A PROBLEM TO ALLIED
RELATIONS IF, AS SEEMS POSSIBLE, AIRLINES FROM ALL THREE
OCCUPYING POWERS COMPETE FOR THE RIGHT TO CONDUCT THE
SERVICE. INTRA AIRWAYS, AS AN ESTABLISHED SCHEDULED
CARRIER, SEEMS TO HAVE THE MOST SOLID CAPABILITY,
ALTHOUGH THE AIRCRAFT IT IS PROPOSING IS RATHER LARGE
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FOR THE EXPECTED DEMAND. BERLIN AIR TAXI (BAT) SEEMS
TO HAVE MADE THE BEST CHOICE OF EQUIPMENT AND HAS A WELL
THOUGHT OUT PROPOSAL, BUT IT IS INEXPERIENCED AND
ITS EVASIVENESS ON FINANCIAL MATTERS HAS BROUGHT ITS
ABILITY TO SUSTAIN THE SERVICE INTO QUESTION. AIR
ALSACE'S PROPOSAL APPEARS UNECONOMIC. AEROAMERICA IS
JUDGED INSUFFICIENTLY RELIABLE ON ITS RECORD TO BE

ENTRUSTED WITH A SCHEDULED SERVICE. POLITICAL CONSIDERATION, NOTABLY THE DESIRABILITY OF GREATER FRENCH INVOLVEMENT IN BERLIN AVIATION ARGUES FOR GIVING AIR ALSACE ANOTHER CHANCE, THOUGH WE WOULD FAVOR MAKING SUCH APPROVAL CONDITIONAL ON THE PROCUREMENT OF A SUITABLE AIRCRAFT. BRITISH HAVE NOT, BUT MIGHT IN FUTURE POINT OUT THAT THREE U.S. AND ONE FRENCH CARRIER HAVE RECEIVED RIGHTS TO THIS ROUTE AND NONE OF THEM HAVE MADE A GO OF IT. WE BELIEVE NO DECISION SHOULD BE TAKEN UNTIL INTRA AIRLINES AND AIR ALSACE HAVE HAD REASONABLE TIME TO DEVELOP THEIR PROPOSALS, BUT WE ARE INCLINED TO TELL AEROAMERICA NOW THAT ITS APPLICATION HAS BEEN REJECTED. END SUMMARY.

1. BERLIN-SAARBRUECKEN, IN OUR OPINION, REMAINS A MARGINAL SERVICE ECONOMICALLY AND ONE THAT IS NOT OF GREAT IMPORTANCE TO USG OBJECTIVES IN BERLIN. IT HAD LITTLE ATTRACTION TO AIRLINES UNTIL THE SAARLAND GOVERNMENT MADE KNOWN ITS WILLINGNESS TO PROVIDE A SUBSTANTIAL BUT TEMPORARY SUBSIDY. SINCE THEN SEVEN AIRLINES HAVE EXPRESSED INTEREST AND FOUR HAVE MADE SERIOUS PROPOSALS TO EITHER THE SAARLAND GOVERNMENT, THE ALLIED CAA'S OR BOTH. ONE WONDERS IF THEIR INTEREST WOULD SURVIVE THE EXPIRATION OF THE SUBSIDY PERIOD.

2. NEVERTHELESS AS UNIMPORTANT AS THE ROUTE APPEARS
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IN ITSELF, IT COULD BECOME SOMETHING OF A HEADACHE FOR THE ALLIED AUTHORITIES IF, AS SEEMS POSSIBLE, THERE WILL BE ONE OR MORE SERIOUS CONTENDERS FROM EACH OF THE ALLIED COUNTRIES. ON THE BASIS OF WHAT IS KNOWN AT PRESENT, INTRA AIRWAYS WOULD SEEM TO HAVE THE BEST CLAIM FROM AN ECONOMIC WORTHINESS STANDPOINT. IT IS AN ESTABLISHED SCHEDULED AIRLINE WHICH WOULD BE USING EQUIPMENT (VISCOUNTS) WHICH IT ALREADY POSSESSES. THIS AIRCRAFT IS PROBABLY TOO LARGE FOR THE SERVICE BUT, HAVING BEEN BOUGHT USED AND BEING A TURBO-PROP, ITS OPERATING COSTS ARE PROBABLY LOW. BAT PROBABLY HAS MADE THE BEST CHOICE OF EQUIPMENT, APPEARS TO BE A RESPONSIBLE AND EFFICIENT OPERATOR OF ITS AIR TAXI SERVICE, AND SEEMS TO HAVE A WELL THOUGHT OUT PROGRAM FOR ITS PROPOSED SERVICE. ON THE OTHER HAND, BAT LACKS AIRLINE EXPERIENCE AND HAS NOT YET ESTABLISHED THAT IT CAN OPERATE AN AIR TAXI SERVICE PROFITABLY. THE FACT THAT IT IS PURELY A BERLIN OPERATION DOES NOT NECESSARILY MEAN THAT IT WILL BE MORE LOYAL TO THE SERVICE THAN OTHERS MIGHT BE. BAT IS LOOKING AROUND FOR OPPORTUNITIES IN MANY DIRECTIONS AND WILL REMAIN A PURELY BERLIN OPERATION ONLY IF PRACTICAL CIRCUM-

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STANCES SO DICTATE. IT HAS ALREADY INDICATED IT WILL
LOOK FOR WAYS TO INCREASE THE VERY LOW UTILIZATION OF
ITS AIRCRAFT THAT A TWICE A DAY SERVICE TO AND FROM
SAARBRUEKEN WOULD PROVIDE. IF THIS SEARCH IS SUCCESS-
FUL, BAT COULD HAVE THE SAME PROBLEM OF CONFLICTING
COMMITMENTS THAT OTHER AIRLINES HAVE ENCOUNTERED IN
BERLIN. ITS EVASIVE AND DEFENSIVE ATTITUDE TOWARD
RELEASING FINANCIAL INFORMATION CALLS INTO QUESTION
ITS ABILITY TO UNDERTAKE THE COMMITMENTS IT IS SEEKING.

3. AIR ALSACE'S PROPOSAL IS ALMOST RIDICULOUSLY UN-
ECONOMIC. THE F-28 SEEMS OBVIOUSLY TOO EXPENSIVE AND
TOO LARGE FOR THE ROUTE.

4. WE ARE INCLINED TO TURN AEROAMERICA DOWN REGARD-
LESS OF WHAT DEVELOPS WITH THE OTHER APPLICANTS. SINCE
REFTEL B WAS SENT, AEROAMERICA HAS CONTINUED TO
JUGGLE ITS EQUIPMENT BETWEEN ITS VARIOUS OPERATIONS
AROUND THE WORLD TO THE EXTENT THAT ITS BACK-UP CAP-
ABILITY IN BERLIN IS MARGINAL, AND, IN GENERAL, TO
OPERATE IN A MANNER WE JUDGE TO BE UNSTABLE AND UNRE-
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LIABLE FOR A SCHEDULED SERVICE.

5. POLITICAL CONSIDERATIONS ARE ALSO INVOLVED. THE DESIRABILITY OF GREATER FRENCH INVOLVEMENT IN BERLIN AVIATION WAS A CONSIDERATION IN THE EARLIER APPROVAL OF AIR ALSACE'S APPLICATION. SINCE F-28 AIRCRAFT HAVE NOT YET BEEN PROCURED IT MIGHT BE POSSIBLE TO APPROVE THE SERVICE FOR AIR ALSACE ON THE CONDITION THAT IT OPERATE IT WITH SUITABLE EQUIPMENT. THE BRITISH HAVE TO DATE AVOIDED DISCUSSING THE MATTER IN NATIONAL TERMS, BUT IF SO INCLINED THEY COULD POINT TO THE FACT THAT THREE AMERICAN (MODERN AIR, PAN AM AND AEROAMERICA) AND ONE FRENCH CARRIER HAVE HAD A CRACK AT THE ROUTE AND NONE OF THEM HAVE MADE A GO OF IT. BOTH THE FRENCH AND BRITISH COULD POINT TO THE PREDOMINANT SHARE OF BERLIN AVIATION ALREADY IN U.S. HANDS.

6. WE ARE INCLINED TO WAIT SOME TIME LONGER BEFORE TRYING TO REACH A DECISION ON THIS MATTER, ALTHOUGH WE FAVOR TELLING AEROAMERICA NOW THAT ITS APPLICATION HAS BEEN DENIED. AT THE MINIMUM, WE SHOULD WAIT A REASONABLE AMOUNT OF TIME FOR AIR ALSACE AND INTRA AIRWAYS TO MAKE AN APPLICATION OR INDICATE THAT THEY WILL NOT DO SO.

7. ACTION REQUESTED: DEPARTMENT'S VIEWS WOULD BE APPRECIATED, ESPECIALLY AS REGARDS AEROAMERICA.

STOESSEL

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MRN: 1978BONN 010037 SEGMENT NUMBER: 000003 ERROR READING TEXT INDEX

FILE; TELEGRAM TEXT FOR THIS SEGMENT IS UNAVAILABLE

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Disposition Comment: 25 YEAR REVIEW
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